

SEVENTY-FOURTH ANNUAL REPORT 1979

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THE MONARCH LIFE ASSURANCE COMPANY



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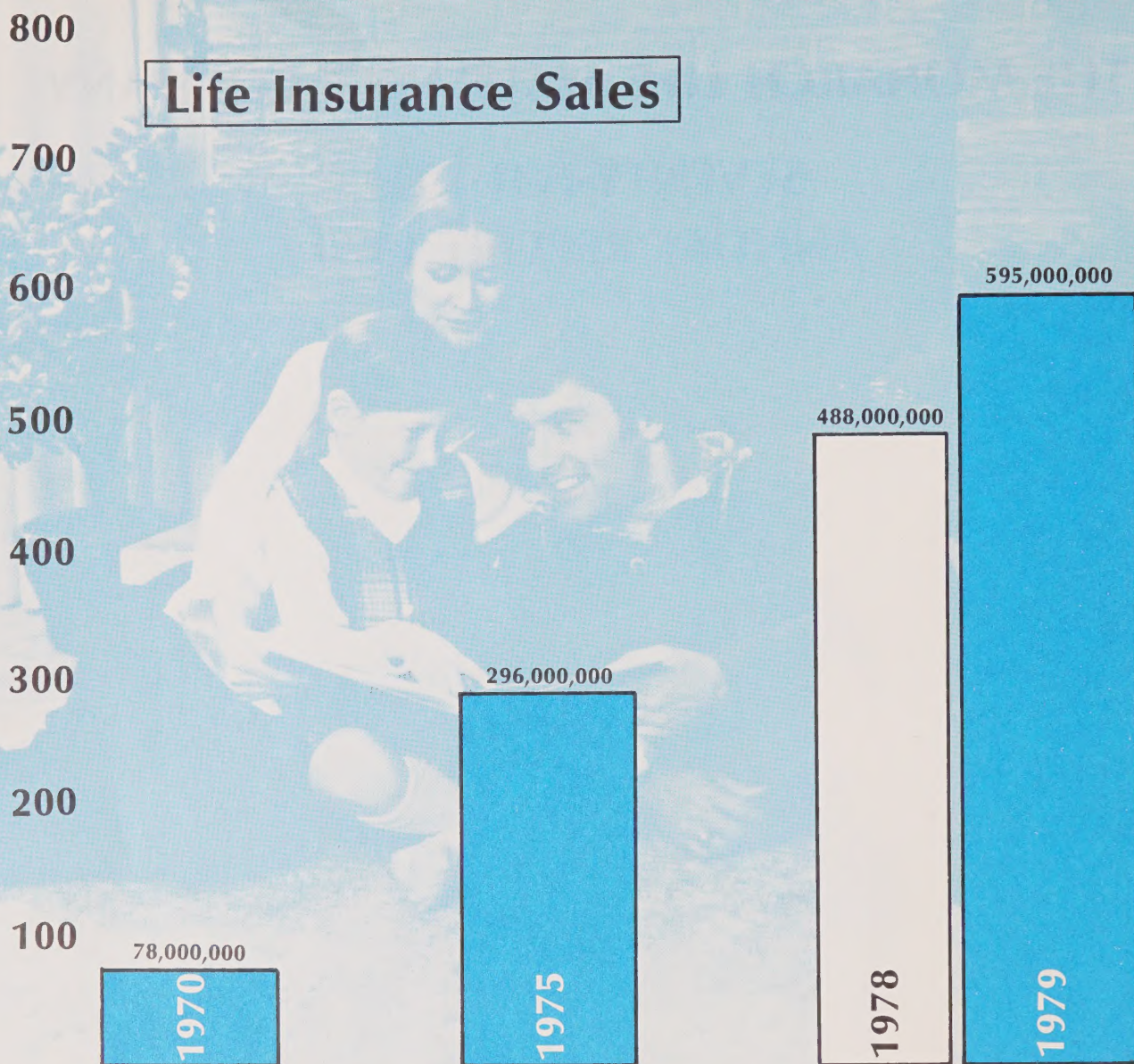
THE MONARCH LIFE ASSURANCE COMPANY

SEVENTY-FOURTH ANNUAL REPORT 1979

HIGHLIGHTS

	1979	1978	1975	1970
Sales Amount of Life Insurance	594,506,000	488,030,000	296,121,000	78,181,000
Premiums on Annuities	17,249,000	16,584,000	9,556,000	7,078,000
Business in Force	2,815,065,000	2,482,044,000	1,640,489,000	807,154,000
Net Interest Rate	9.51%	8.70%	7.76%	6.60%
Assets	396,190,000	356,442,000	259,779,000	164,688,000

Life Insurance Sales



Report of Directors

To the Seventy-Fourth Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 28th, 1980.

The year 1979 was a successful one for the Company and was a fitting climax to a most progressive decade. It is, therefore, appropriate to report not only on the results of 1979 but on the accomplishments of the seventies.

SALES

The amount of life insurance sold in 1979 was

\$594,506,000, a 22% increase over 1978. During the seventies, the amount of life insurance sold increased at an average yearly rate of 25%.

Inflation in recent years has created a need for individuals to acquire increased amounts of life insurance at moderate cost. In 1979, the average amount of new insurance purchased by adults from Monarch was \$44,000. In 1969, it was \$15,000. In 1979, term insurance represented 57% of the total amount sold. In 1969, it was 33%.

Premiums on annuity sales were \$17,249,000,

4000

Business in Force

3500

3000

2500

2000

1500

1000

500

2,815,000,000

2,482,000,000

1,640,000,000

807,000,000

1970

1975

1978

1979

an increase of 4% over 1978. Of this total, sales of Income Averaging Annuities and other similar annuities were \$7,059,000. Sales of Registered Retirement Savings Plans and Registered Pension Plans were \$10,190,000.

By comparison, premiums on annuity sales in 1969 were only \$998,000. The increase in the decade has been seventeen-fold, largely caused by regular increases in the R.R.S.P. tax deduction limits and by the introduction of Income Averaging Annuities in 1972 as a means to "forward average" income on capital gains and other types of income for tax deferment.

The Company's total business in force at year-end was \$2,815,065,000, an increase of 13% in the year and an increase of 357% over the

\$789,172,000 in force at the end of 1969. During the seventies the number of sales offices doubled and the number of sales representatives increased threefold.

INCOME

Total income for 1979 was \$93,916,000, an increase of 14% over 1978. In 1969, income was \$23,767,000 and the average yearly increase to 1979 was 15%.

Net income from operations in 1979 was \$5,085,000, an increase of 19% over the \$4,271,000 of 1978. In 1969, net income was \$1,039,000.

500

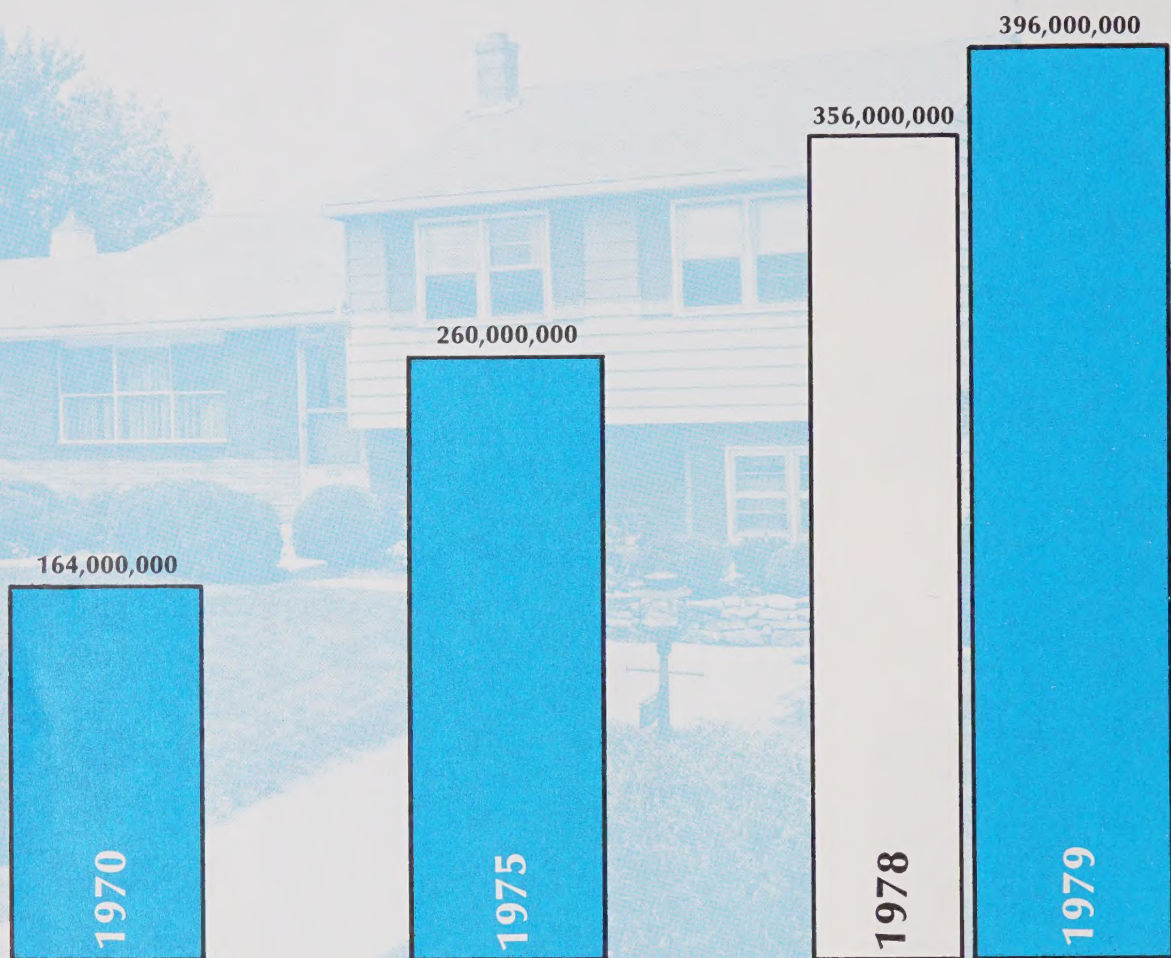
Assets

400

300

200

100



INVESTMENTS

At year-end, assets were \$396,190,000, an increase of \$39,478,000 or 13%. At the end of 1969, assets were \$151,470,000. The average yearly growth rate during the seventies was 10%.

The rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 9.51% from 8.70% in 1978 and 6.54% in 1969.

In 1979, new funds directed to long-term investments were apportioned 37% to mortgages, 46% to corporate and government bonds and 18% to stocks.

New mortgage investments were made primarily on commercial and industrial properties such as

shopping centres, warehouses and office buildings and on apartments, in many Canadian cities and towns. This is in line with the Company's continuing policy of providing financing to the job-creating sector over a broad geographic and industrial range.

SEGREGATED INVESTMENT FUNDS

The investments of these funds are segregated in the sense that they are not mingled with the other assets of the Company. They support the special series of group pension policies available

to employers for their company pension plans. Individual policyholders may also invest their policy dividends in a segregated fund. At year-end, the total of these segregated investment funds was \$18,927,000, an increase of 25% over 1978.

POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1979 was \$35,951,000, 23% more than in 1978. In addition, \$33,412,000 was allocated to actuarial reserves for future payment.

During the seventies, \$201,647,000 was paid to policyholders and beneficiaries and \$205,886,000 was added to policy reserves for future payment. It is these amounts which identify the very real value of life insurance - benefits that provide an acceptable standard of living for surviving families, education for children and comfortable retirement years.

EXPENSES

Operating expenses for 1979 were 20% greater than for 1978, reflecting both the 22% growth in sales and inflationary pressures. Our cost ratios were slightly higher than in 1978.

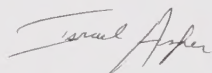
GENERAL

Mr. Gordon Lawson, who had served as a Director since 1969, retired from the Board during 1979, the year of his mandatory retirement age. His support, encouragement and valued contribution over this period are greatly appreciated.

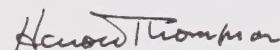
The vacancy on the Board was filled by the appointment of John B. Whitely. Mr. Whitely is President of Crown Trust Company.

To the staff and representatives whose efforts made the very satisfactory results possible, the Directors extend sincere thanks and appreciation. All can feel proud of the accomplishments made during the decade of the seventies. The confidence and enthusiasm of the sales force, staff and officers for the future is shared by the Directors.

On behalf of the Directors,



I. H. ASPER, Q.C., Chairman of the Board



HAROLD THOMPSON, President
and Chief Executive Officer

SEVENTY-FOURTH ANNUAL REPORT 1979

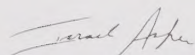
Statement of F

ASSETS

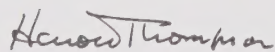
December 31

	1979	1978
BONDS		
Government	\$ 38,468,000	36,702,000
Corporate	147,491,000	131,284,000
STOCKS	30,441,000	21,866,000
FIRST MORTGAGES		
Residential	43,736,000	45,584,000
Commercial	86,093,000	75,347,000
REAL ESTATE	5,178,000	6,818,000
POLICY LOANS	16,382,000	14,403,000
CASH	1,719,000	2,126,000
INVESTMENT INCOME DUE AND ACCRUED	5,698,000	5,130,000
SEGREGATED INVESTMENT FUNDS	18,927,000	15,184,000
OTHER ASSETS	2,057,000	1,998,000

Approved by the Directors



I. H. ASPER, Q.C. - Chairman of the Board



HAROLD THOMPSON - President and Chief Executive Officer

\$396,190,000

356,442,000

THE MONARCH LIFE ASSURANCE COMPANY

Financial Position

LIABILITIES, CAPITAL & SURPLUS

December 31

1979

1978

DIRECT OBLIGATIONS TO POLICYHOLDERS

ACTUARIAL RESERVE	\$277,532,000	249,084,000
This amount together with future premiums and interest will provide for the payment of all benefits on policies in force.		
POLICY BENEFITS IN COURSE OF PAYMENT	1,379,000	1,315,000
POLICY BENEFITS ON DEPOSIT	30,300,000	28,172,000
POLICY DIVIDENDS PAYABLE	4,480,000	3,900,000
SEGREGATED INVESTMENT FUNDS	18,927,000	15,184,000
STAFF PENSION AND INSURANCE FUNDS	10,738,000	9,517,000
OTHER LIABILITIES	2,722,000	1,377,000
	<u>346,078,000</u>	<u>308,549,000</u>
STATUTORY AND CONTINGENCY RESERVE	16,600,000	15,646,000
SHARE CAPITAL	1,040,000	1,040,000
Authorized 1,000,000 shares of \$2 par value		
Issued 520,000 shares		
SURPLUS	32,472,000	31,207,000
	<u>50,112,000</u>	<u>47,893,000</u>
	<u>\$396,190,000</u>	<u>356,442,000</u>

SEVENTY-FOURTH ANNUAL REPORT 1979

Statement of Operations

	For the Year	
	1979	1978
INCOME		
Insurance and annuity premiums	\$ 55,343,000	\$ 52,490,000
Investment income less expenses of 726,000 (646,000 for 1978)	36,701,000	28,479,000
Other	<u>1,872,000</u>	<u>1,718,000</u>
	<u>93,916,000</u>	<u>82,687,000</u>
DISPOSITION OF INCOME		
Paid or set aside for policyholders		
Death and disability benefits	4,588,000	3,797,000
Matured endowments	1,523,000	1,515,000
Annuity payments	7,639,000	6,339,000
Surrender benefits	14,057,000	10,549,000
Policy dividends	4,537,000	3,983,000
Interest credited to amounts on deposit	1,961,000	1,784,000
Increase in Actuarial Reserve for future payments to policyholders and beneficiaries	28,448,000	28,919,000
Increase in Segregated Investment Funds	3,743,000	2,377,000
Increase in Staff Pension and Insurance Funds	1,221,000	981,000
Other	<u>1,646,000</u>	<u>1,340,000</u>
	<u>69,363,000</u>	<u>61,584,000</u>
Commissions	6,190,000	5,410,000
Operating expense	12,726,000	10,616,000
Premium and income taxes	950,000	806,000
Recovery of prior years income taxes	<u>(398,000)</u>	<u>—</u>
	<u>88,831,000</u>	<u>78,416,000</u>
NET INCOME	<u>5,085,000</u>	<u>4,271,000</u>

Statement of Surplus

SURPLUS, January 1	31,207,000	29,077,000
ADD: Net Income	5,085,000	4,271,000
Premium on Capital Stock Issued	<u>—</u>	<u>360,000</u>
	36,292,000	33,708,000
DEDUCT: Transfer to Statutory and Contingency Reserve	954,000	1,925,000
Dividends to shareholders	<u>2,866,000</u>	<u>576,000</u>
SURPLUS, December 31	<u>32,472,000</u>	<u>31,207,000</u>
ATTRIBUTABLE TO		
Participating policyholders	12,054,000	11,804,000
Shareholders	<u>20,418,000</u>	<u>19,403,000</u>
	<u>\$ 32,472,000</u>	<u>\$ 31,207,000</u>

THE MONARCH LIFE ASSURANCE COMPANY

Notes to Financial Statements

1. Statement of Significant Accounting Principles

- (a) The accounting practices followed by the Company are prescribed or permitted by the Department of Insurance of Canada.
- (b) The financial statements combine both the life and health insurance branches of the Company.
- (c) Bonds are carried at amortized cost plus or minus the unamortized balance of losses or gains on sales. The difference between the proceeds on the sale of a bond and its amortized cost is considered to be an adjustment of future portfolio yield and is deferred and amortized over the period to maturity of the bond sold.
- (d) Stocks are carried at cost plus or minus the unamortized balance of losses or gains on sales and an adjustment toward market value. The amount of amortization and the market value adjustment each year is 7% of the difference between adjusted book value and year-end market value of all stocks.
- (e) First Mortgages are carried at amortized cost, less principal repayments.
- (f) Real Estate is carried at cost less accumulated depreciation, or written down value.
- (g) Policy Loans are carried at their unpaid balance and are fully secured by the surrender values of the policies on which the respective loans are made.
- (h) Included in Other Assets are electronic data processing equipment, furniture and equipment and branch office lease improvements carried at cost less accumulated depreciation and amounts receivable from agents carried at the unpaid balance less an allowance for uncollectable accounts.
- (i) Segregated Investment Funds are carried at market value.
- (j) The Actuarial Reserve is calculated using interest and mortality assumptions appropriate for the policies in force and provide for the deferral and amortization of costs of acquiring policies subject to maximum limits provided by the Department of Insurance of Canada.
- (k) The Statutory and Contingency Reserve includes \$6,600,000 (1978 \$5,646,000) for certain items as required by the Department of Insurance of Canada.
- (l) Income Taxes are provided for on the basis of the taxes payable method.

2. Capital Stock Issued

Under a Stock Option Plan adopted in 1966, the Company granted certain employees options to purchase shares of the unissued stock of the Company at a price equal to the market value of such stock on the date granted. All the 20,000 shares under option were issued during 1978 at \$20.00 per share and the Stock Option Plan of 1966 was subsequently terminated.

3. Comparative Figures

The 1978 comparative figures were reported on by other auditors.

THE MONARCH LIFE ASSURANCE COMPANY

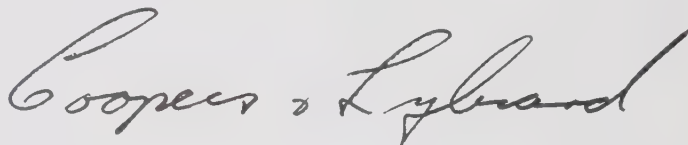
AUDITORS' REPORT

February 5, 1980

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the statement of financial position of The Monarch Life Assurance Company as at December 31, 1979 and the statements of operations and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations for the year then ended, in accordance with accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.



Chartered Accountants

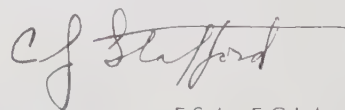
Winnipeg, Manitoba

REPORT OF THE VALUATION ACTUARY

February 5, 1980

I have made the valuation of actuarial liabilities of The Monarch Life Assurance Company for its Statement of Financial Position at December 31, 1979 and its Statement of Operations and Surplus for the year then ended. In my opinion

- (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of Canadian Institute of Actuaries, and
- (ii) the amount of the actuarial liabilities makes proper provision for the future payments under the company's policies, and
- (iii) a proper charge on account of those liabilities has been made in the Statements of Operations and Surplus.



F.S.A., F.C.I.A.
Vice-President and Senior Actuary

THE MONARCH LIFE ASSURANCE COMPANY

Board of Directors

I. H. ASPER, Q.C..... Chairman of the Board
GERALD SCHWARTZ Deputy Chairman of the Board and
Chairman of the Executive Committee
HAROLD THOMPSON President and Chief Executive Officer

* RICHARD S. MALONE, O.B.E.	* GEORGE E. SHARPE
* CONRAD S. RILEY, M.B.E.	ALAN E. TARR
FREDERICK W. SELLERS	JOHN B. WHITELY

* Policyholders' Directors

EXECUTIVE OFFICERS

HAROLD THOMPSON President and Chief Executive Officer
ALLAN G. DENNIS Vice-President, Marketing
RICHARD E. ARCHER..... Vice-President, Investments
DONOVAN A. MCCARTHY, Q.C..... Vice-President and Secretary
DOUGLAS B. STEVENS..... Vice-President, Administration
CHARLES J. STAFFORD Vice-President and Senior Actuary

ADMINISTRATIVE ORGANIZATION

HAROLD THOMPSON, F.S.A., F.C.I.A., President and Chief Executive Officer

A. G. DENNIS	Vice-President, Marketing	
Sales Development	R. T. Sandstrom	Senior Superintendent of Sales
	D. D. Sheppard, C.L.U.	Superintendent of Sales
	M. Hawryluk	Superintendent of Sales
	R. Perron	Superintendent of Sales
	P. Cloutier	Superintendent of Group Sales
	R. Facia	Superintendent of Advanced Sales
Marketing Services	G. E. Thomas	Superintendent of Marketing Services
	(Miss) J. Mislawchuk	Supervisor of Sales Administration
Sales Training	R. Blouin	Superintendent of Sales Training
	D. K. Pirrie	Field Training Supervisor
	R. P. Tratechaud	Field Training Supervisor
Sales Promotion	R. Maddocks	Superintendent of Sales Promotion
R. E. ARCHER, C.F.A.	Vice President, Investments	
Investment	L. R. Fuller, C.F.A.	Manager, Bond Investments
	D. S. Johnson, A.A.C.I.	Manager, Mortgage & Real Estate Investments
	D. G. Mills, C.F.A.	Manager, Common Stock Investments
D. A. McCARTHY, Q.C.	Vice-President and Secretary	
Accounting	W. A. McLandress, C. A.	Accounting Manager
	L. A. Jennings	Supervisor, Accounting
Personnel & Office Services	C. M. Mederski	Manager, Personnel & Office Services
	R. E. Babiak	Supervisor, Purchasing, Printing & Supplies
Properties	C. J. Rogers, F.L.M.I.	Manager, Building & Properties
Translation	C. C. Foley	Translator
D. B. STEVENS, F.S.A., F.C.I.A.	Vice-President, Administration	
Data Processing	P. J. Sawchuk, F.L.M.I.	Director of Data Processing
	L. G. F. Jones	Manager, Data Processing Operations
	S. Lopata	Supervisor, Data Processing Operations
	E. Lindgren, F.L.M.I.	Manager, Systems & Programming
Policy Service	A. Croteau, A.S.A.	Manager, Policy Service
	(Mrs.) T. Fifi	Supervisor, Policy Service
	A. Bilodeau	Supervisor, Premium Services
	E. Perry	Supervisor, Branch Services
New Business	N. P. Walton	Manager, Policy Issue & Changes
	E. Shandruk	Supervisor, Policy Issue
	T. Weber, F.L.M.I.	Supervisor, Policy Changes
Policy Administration	C. E. Addison, F.L.M.I.	Executive Assistant, Administration
C. J. STAFFORD, F.S.A., F.C.I.A.	Vice-President and Senior Actuary	
Actuarial	L. A. Poole, F.S.A., F.C.I.A.	Actuary, Individual Insurance
	G. J. Kaiser, F.S.A., F.C.I.A.	Assistant Actuary
Underwriting	W. A. Riddall	Manager, Underwriting
	R. G. Handford, M.D.	
	F.R.C.P. (C)	Medical Director
	N. L. Handford	Senior Underwriter
A. M. BYRNE, F.S.A., F.C.I.A.	Group Actuary	
Group Underwriting and Service	G. Kaminsky, A.S.A.	Assistant Actuary
	E. F. Harlow	Manager, Group Life & Health Services
	G. L. Sobie, F.L.M.I.	Manager, Group Pension Services
	(Mrs.) H. Mills	Supervisor, Group Pension Services

BRANCH OFFICES

		Telephone Number	Area Code
VICTORIA	D. E. PEGG, 4th Flr., 736 Broughton St.	384-0584	604
VANCOUVER	C. L. JEFFREY, C.L.U., 980-777 Hornby St. W. T. KELLY, 2640-1066 W. Hastings St. I. D. WRIGHT, 870-1090 W. Georgia St. G. PALLONE, 980-777 Hornby St. (Group Sales & Service)	689-8831 683-7552 669-4741 689-8831	604 604 604 604
PRINCE GEORGE	L. J. TOURNIER, C.L.U., 200-1527-3rd Ave.	562-8261	604
EDMONTON	DAY, ROSS & ASSOC. LTD., 800 Empire Bldg. 101 St. & Jasper Ave. W. E. SOUTHORN, C.L.U., 15th Flr., CN Tower, 104 Ave. & 100 St. TAISCO AGENCIES LTD., 211-8204-104th St. MEL WYNE, C.L.U., 2311 TD Tower, Edmonton Centre K. TAYLOR, 2311 TD Tower, Edmonton Centre (Group Sales & Service)	429-1423 422-6125 433-5801 426-7955 426-7955	403 403 403 403 403
RED DEER	P. J. DERSKEN, C.L.U., 200 Central Block, 5000 Gaetz Ave.	347-1135	403
CALGARY	MORT H. WYNE, 1900-633-6th Ave. S.W. J. D. TAYLOR, 800-825-8th Ave. S.W.	261-7880 263-4070	403 403
LETHBRIDGE	J. H. PROVICK, 202 Woodward Tower, Lethbridge Centre	327-2985	403
SASKATOON	G. W. HALLSTROM, C.L.U., 870 Avord Tower, 606 Spadina Cres. E.	653-0602	306
REGINA	D. LAKUSTA, C.L.U., 1700 Avord Tower, Victoria Ave. & Hamilton St.	352-9631	306
BRANDON	D. V. HUTMACHER, C.L.U., 4th Flr., Royal Bank Bldg., Box 727	727-0721	204
WINNIPEG	C. R. COX, 6th Flr., 338 Broadway L. H. FYKE, C.L.U., 7th Flr., 363 Broadway B. J. THOMPSON, 300-338 Broadway (Group Sales & Service)	956-1153 947-6771 944-8762	204 204 204
THUNDER BAY	A. D. WESTAWAY, C.L.U., 410 Chapple Bldg., Box 326	622-6444	807
WINDSOR	R. D. HEBERT, 1010-100 Ouellette Ave.	258-5433	519
LONDON	D. E. EASTMAN, 1104-275 Dundas St. STEVENSON & HUNT INS. AGENCIES LTD., 2nd Flr., 267 Dundas St.	672-6220 679-0821	519 519
KITCHENER	1183 King St. E.	745-1131	519
HAMILTON	BRYAN & CO. INSURANCE AGENCY LTD., 800-155 James St. S. D. S. HILBORN, C.L.U., 2105-25 Main St. W. SKYWAY LIFE INSURANCE AGENCIES INC., 604-105 Main St. E.	523-4705 522-9274 525-7247	416 416 416
OAKVILLE	J. R. ELKERTON, 502-345 Lakeshore Rd. E.	845-9991	416
TORONTO	P. ANGELINI, C.L.U., 604-200 Consumers Rd. M. J. DORAN, C.L.U., 1600-365 Bloor St. E. LIFE EQUATIONS INSURANCE AGENCY LTD., 104-55 Doncaster Ave. C. MALHOWSKI, 2400-2 Bloor St. E. MULTI PLANNERS INS. AG. INC., 601-505 Consumers Rd. S. SANDS, 720-1110 Finch Ave. W. S. S. TAERK, C.L.U., 501-50 Gervais Dr. M. DUGGAN & (MRS.) S. GOOCH, 312-245 Fairview Mall Dr. (Group Sales & Service)	493-3744 929-0421 881-6622 961-2330 498-7277 667-8702 449-7330 496-2469	416 416 416 416 416 416 416 416
OSHAWA	R. A. SLANEY, C.L.U., 1002-44 Bond St. W.	725-6588	416
OTTAWA	E. E. LAUGHREN, 1500-85 Albert St.	235-1431	613
MONTREAL	ABRAMS, PECK, TAMMARK INS. BROKERS INC., 2nd Flr, 2190 Crescent St. G. RIVARD, 400-6767 Cote des Neiges Rd. TRIFFON INSURANCE SERVICES LTD., 401-7575 Trans Canada	845-3241 731-8257 337-4677	514 514 514



'Coyotes Hunting on Muskrat Marsh'

CLARENCE TILLENIUS

For over a quarter of a century The Monarch Life Assurance Company has enjoyed a close relationship with wildlife artist Clarence Tilenius.

Mr. Tilenius' work has graced Company calendars and annual reports for many years and his renowned series "Monarchs of the Canadian Wilds" is on permanent display in the Company's Head Office. His most recent painting for Monarch, "Coyotes Hunting on Muskrat Marsh", is part of a second commissioned series entitled "Small Fur-Bearing Animals".

Many of the paintings Mr. Tilenius has produced for Monarch Life have been displayed in galleries and exhibitions throughout North America.

The Monarch Life Assurance Company is proud to be associated with the Manitoba-born Tilenius and shares his concern for the vanishing Canadian wilderness.



THE MONARCH LIFE ASSURANCE COMPANY

333 BROADWAY, WINNIPEG, MANITOBA, CANADA